# FDIC State Profile

**Winter 2004**

# Ohio

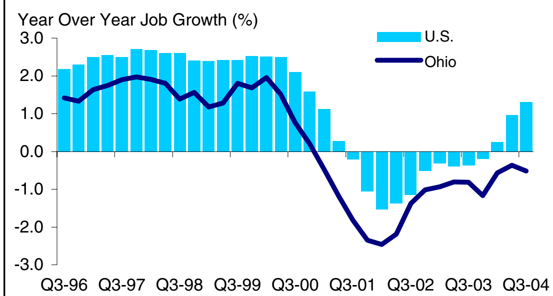
## Ohio's economic conditions remain mixed.

- Ohio continued to lose jobs in third quarter 2004, although the pace slowed compared to 2001 through 2003 (See Chart 1).
- In response to robust manufacturing orders and shipments nationwide, Ohio's manufacturing job losses slowed considerably in the past two quarters. However, strong productivity gains and corporate restructurings continue to impede an upturn in factory employment. During the third quarter, roughly 5,700 jobs, or about 48 percent of all manufacturing sector losses, occurred in the motor vehicle parts sector.
- Employment in the food and beverage stores sector fell to pre-recession levels; the sector lost 8,000 jobs from third quarter 2003 through third quarter 2004, with 71 percent of those jobs in grocery stores. The grocery industry continued its struggles with surplus stores, thin margins, and increasing competition from discounters.
- On a more positive note, the educational and health sectors remained sources of job growth and added 5,800 jobs in the past 12 months (See Chart 2). Even so, the pace of hiring slowed from that of recent years.
- Personal bankruptcy levels declined in third quarter 2004 from a year ago, reflecting less weakness in consumer credit and employment trends.
- Residential building activity declined as single-family housing permits fell 8.3 percent year-over-year in third quarter 2004. The growth rate for home resales slowed, but remained at a high. The pace of home price appreciation moved higher to 4.8 percent year-over-year in the third quarter 2004.

## Commercial real estate markets are stabilizing.

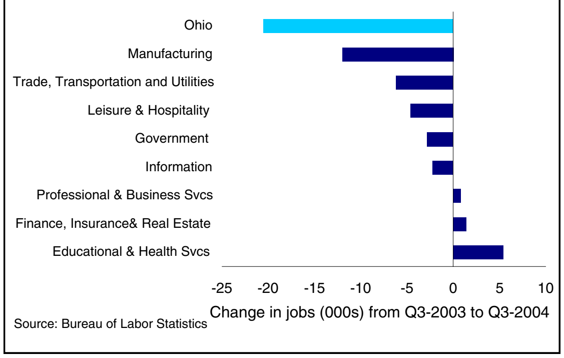
- While office vacancy rates remain relatively high for **Cleveland, Cincinnati** and **Columbus,** office market conditions stabilized as vacancy rates edged down or remained flat in the third quarter (See Chart 3). Except for Cincinnati's downtown office market, net absorption was positive in all downtown and suburban markets.

Chart 1: Ohio Continues to Lose Jobs



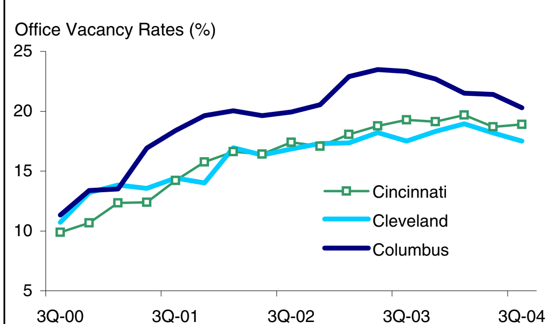

Source: Bureau of Labor Statistics

Chart 2: Job Losses are Concentrated in the Manufacturing Sector




Source: Bureau of Labor Statistics

Chart 3: Office Vacancy Rates Are Improving Although Remain at High Levels




Source: Torto Wheaton Research

**Profitability declines at Ohio community institutions.**[1]

- Profitability at Ohio community institutions fell in third quarter 2004 from one year ago (See Table 1). Lower noninterest income and securities gains offset increased net interest income and lower noninterest and provision expenses.

**Asset quality continues to improve.**

- Credit quality trends continued to improve during the quarter. Net chargeoffs remained low and overall delinquencies trended down for the sixth consecutive quarter.

- Past-due rates declined for all loan categories at community institutions except home equity loans (See Chart 4). Delinquencies for this relatively small loan segment increased to 1.09 percent, up 52 basis points from a year ago.

- Ohio's community institutions realized year-over-year growth in all major loan categories, except consumer loans. The largest loan increases came from home equity and construction and development loans, which each grew 15 percent in the third quarter compared to a year ago.

**Ohio bank branching activity expands gradually amid charter consolidation.**

- Ohio experienced significant charter consolidation from 1994 through 2004 as the number of head offices declined 30 percent to 300 locations. Bank branching expanded slower than the nation during the past decade as the number of branches increased by only 4 percent to 3,650 locations (See Chart 5).

- Out-of-state banks and thrifts have not entered Ohio as aggressively as some other states in the region during the past decade. Several large institutions headquartered in Ohio maintain a high deposit market share within the state. As of mid-year 2004, out-of-state institutions own only 4 percent of Ohio branches, the lowest percentage in the nation.

- Cleveland, Columbus, and Cincinnati make up about 63 percent of Ohio's total deposits. Branching activity was modest across these major Ohio metropolitan areas, and changes in head offices varied.

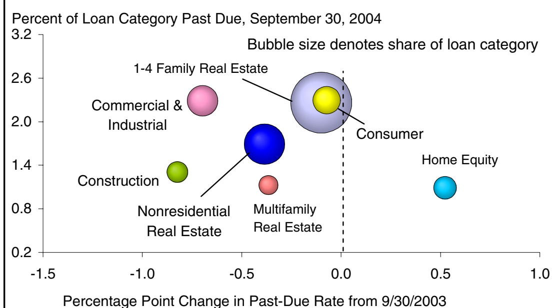
Table 1: Earnings Performance Drops at Ohio Community Banks and Thrifts

Income statement contribution (as a percentage of average assets)

| | 3 months ended September 30 | | Percentage Point Change |
|---|---|---|---|
| | 2003 | 2004 | |
| Net Interest Income | 3.42 | 3.48 | 0.06 |
| Noninterest Income | 0.72 | 0.58 | -0.14 |
| Noninterest Expense | -2.70 | -2.65 | 0.05 |
| Provision Expense | -0.22 | -0.18 | 0.04 |
| Security Gains & Losses | 0.28 | 0.04 | -0.24 |
| Income Taxes | -0.43 | -0.36 | 0.07 |
| Net Income (ROA) | 1.07 | 0.91 | -0.16 |

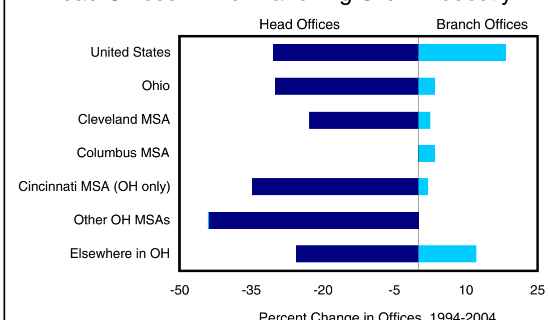
Source: FDIC

Chart 4: Past-Due Rates Continue to Improve Across Most Loan Categories




Source: FDIC. Ohio's Community Institutions

Chart 5: Consolidation Reduced the Number of Ohio Head Offices While Branching Grew Modestly




Source: FDIC/OTS Summary of Deposits

[1]Community institutions are insured institutions with less than $1 billion in assets, excluding new (less than three years old) and specialty banks.

# Ohio at a Glance

| General Information | Sep-04 | Sep-03 | Sep-02 | Sep-01 | Sep-00 |
|---|---|---|---|---|---|
| Institutions (#) | 297 | 307 | 318 | 329 | 346 |
| Total Assets (in thousands) | 680,876,571 | 639,815,148 | 582,890,461 | 548,067,601 | 421,760,387 |
| New Institutions (# < 3 years) | 4 | 6 | 9 | 14 | 15 |
| New Institutions (# < 9 years) | 23 | 25 | 26 | 25 | 22 |

| Capital | Sep-04 | Sep-03 | Sep-02 | Sep-01 | Sep-00 |
|---|---|---|---|---|---|
| Tier 1 Leverage (median) | 9.50 | 9.24 | 9.41 | 9.50 | 9.46 |

| Asset Quality | Sep-04 | Sep-03 | Sep-02 | Sep-01 | Sep-00 |
|---|---|---|---|---|---|
| Past-Due and Nonaccrual (median %) | 1.82% | 2.02% | 2.02% | 2.13% | 1.59% |
| Past-Due and Nonaccrual >= 5% | 24 | 28 | 23 | 31 | 24 |
| ALLL/Total Loans (median %) | 1.01% | 1.03% | 1.02% | 1.00% | 0.96% |
| ALLL/Noncurrent Loans (median multiple) | 1.25 | 1.05 | 1.12 | 1.12 | 1.48 |
| Net Loan Losses/Loans (aggregate) | 0.53% | 0.85% | 0.92% | 0.93% | 0.44% |

| Earnings (Year-to-Date Annualized) | Sep-04 | Sep-03 | Sep-02 | Sep-01 | Sep-00 |
|---|---|---|---|---|---|
| Unprofitable Institutions (#) | 18 | 14 | 21 | 16 | 19 |
| Percent Unprofitable | 6.06% | 4.56% | 6.60% | 4.86% | 5.49% |
| Return on Assets (median %) | 0.89 | 0.98 | 1.00 | 0.92 | 1.00 |
| 25th Percentile | 0.58 | 0.66 | 0.64 | 0.56 | 0.67 |
| Net Interest Margin (median %) | 3.81% | 3.83% | 3.91% | 3.80% | 4.02% |
| Yield on Earning Assets (median) | 5.46% | 5.84% | 6.71% | 7.80% | 8.02% |
| Cost of Funding Earning Assets (median) | 1.70% | 2.09% | 2.83% | 4.12% | 4.17% |
| Provisions to Avg. Assets (median) | 0.10% | 0.11% | 0.14% | 0.11% | 0.10% |
| Noninterest Income to Avg. Assets (median) | 0.49% | 0.56% | 0.51% | 0.50% | 0.44% |
| Overhead to Avg. Assets (median) | 2.69% | 2.70% | 2.69% | 2.59% | 2.63% |

| Liquidity/Sensitivity | Sep-04 | Sep-03 | Sep-02 | Sep-01 | Sep-00 |
|---|---|---|---|---|---|
| Loans to Deposits (median %) | 87.50% | 82.69% | 84.25% | 85.85% | 90.24% |
| Loans to Assets (median %) | 70.33% | 68.58% | 69.81% | 71.48% | 73.35% |
| Brokered Deposits (# of Institutions) | 69 | 62 | 60 | 67 | 70 |
| Bro. Deps./Assets (median for above inst.) | 4.52% | 4.04% | 4.52% | 4.42% | 4.08% |
| Noncore Funding to Assets (median) | 17.95% | 17.30% | 16.31% | 16.98% | 17.63% |
| Core Funding to Assets (median) | 67.78% | 69.53% | 70.82% | 70.25% | 70.22% |

| Bank Class | Sep-04 | Sep-03 | Sep-02 | Sep-01 | Sep-00 |
|---|---|---|---|---|---|
| State Nonmember | 66 | 67 | 71 | 70 | 71 |
| National | 82 | 86 | 87 | 88 | 92 |
| State Member | 38 | 40 | 42 | 47 | 52 |
| S&L | 55 | 58 | 62 | 65 | 73 |
| Savings Bank | 29 | 29 | 31 | 33 | 30 |
| Stock and Mutual SB | 27 | 27 | 25 | 26 | 28 |

| MSA Distribution | # of Inst. | Assets | % Inst. | % Assets |
|---|---|---|---|---|
| No MSA | 126 | 25,189,568 | 42.42% | 3.70% |
| Cincinnati OH-KY-IN PMSA | 43 | 283,745,712 | 14.48% | 41.67% |
| Cleveland-Lorain-Elyria OH PMSA | 29 | 217,184,094 | 9.76% | 31.90% |
| Columbus OH | 28 | 108,543,475 | 9.43% | 15.94% |
| Dayton-Springfield OH | 11 | 1,813,390 | 3.70% | 0.27% |
| Mansfield OH | 10 | 2,117,122 | 3.37% | 0.31% |
| Youngstown-Warren OH | 9 | 20,537,016 | 3.03% | 3.02% |
| Akron OH | 8 | 10,913,104 | 2.69% | 1.60% |
| Parkersburg-Marietta WV-OH | 7 | 2,083,077 | 2.36% | 0.31% |
| Toledo OH | 6 | 1,243,308 | 2.02% | 0.18% |
| Lima OH | 5 | 988,489 | 1.68% | 0.15% |
| Hamilton-Middletown OH PMSA | 4 | 2,795,189 | 1.35% | 0.41% |
| Canton-Massillon OH | 3 | 2,834,305 | 1.01% | 0.42% |
| Wheeling WV-OH | 3 | 540,014 | 1.01% | 0.08% |
| All Other MSAs | 5 | 348,708 | 1.68% | 0.05% |